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Project Closure! Knowing When to Say “Stop”!

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In the current business environment it is imperative that we take a closer look at project investment and ensure that it is money well spent. However, with so many public examples of organisations that have had their fingers burned by expensive failed projects, investing in change through projects can feel like a giant bear trap. Whilst it is impossible to completely remove the risk that any project will fail to deliver, what can be done is to identify failing projects early and close them quickly, in order to save both face and valuable money.

Why don't organisations close down failing projects?

It can often take a huge amount of effort to get a project off the ground. Getting the business case signed-off, money to proceed and a project team in place sometime feels like half the battle has already been won. Getting sign-off for project delivery is a 'hard gate' to get through.

However, part of the reason that organisations neglect to close down failing projects is that their failings often only become obvious somewhere between initiation and completion. Interestingly this is when we tend to measure and control our projects least. This is because most projects tend to have 'soft gates' through their delivery cycle; meaning failing projects keep on running. The most common reasons for soft gates are:

1) “I've started so I'll finish...”

It's human nature to stick with something once we've started, especially when the project team has already spent a lot of time convincing other stakeholders it's a good idea and is committed to a vision of its success. This occurs because a 'sunk cost', which cannot be recovered, has already been invested in the project. Sunk cost is a type of cognitive bias common to decision-making around project investment.

2) “I've got all the money I need...”

Getting authorisation for the money to fund a project requires a lot of up-front work. A key driver for the effort that goes into the business case, project plan and PID is the investment sign-off. However, if all the investment is signed-off at the beginning of the project then the project team will never have to woo the investors to the same degree

again. When the project money has already been handed-over project stage gates can become less meaningful affairs as funding for the next stage is not threatened.

3) “This report looks good...”

Inaccurate reporting can occur due to a variety of cognitive biases including seeking evidence that confirms our previous view (confirmation bias) and aversion to believing the extreme (extreme aversion). Consequently it’s not very often that a progress report says “this project will fail”. The words used and measurements in place don’t always tell the whole story.

4) “My project feels like a neglected middle child...”

Sometimes project sponsors may show so little interest in a project that is underway that they even fail to show up to end of stage meetings. This neglect often occurs when they are focusing their time on the natural touch points of projects with the business – the beginning and end of projects.

How can failing projects be caught and closed?

Often the balance of hard and soft gates through a project’s life cycle is incorrect. Introducing more hard gates into delivery is a great way to stop runaway failing projects. They provide new focus points between the initiation and closure where the project’s sponsors essentially have to re-authorise the project. However, hard gates on their own will not be enough - project information and incentives to perform are also important. The following 5 criteria can be used to ensure that failing projects are caught and closed early:

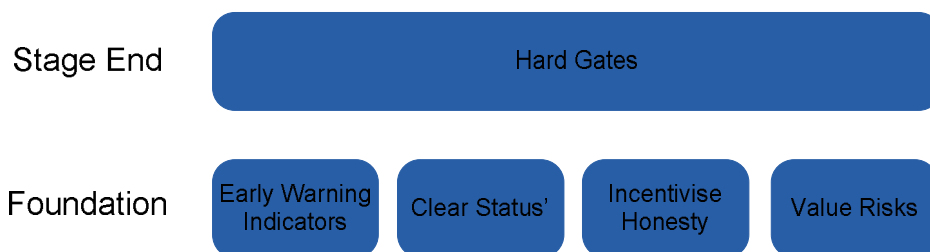


Figure 1 - Success criteria for catching failing projects

1) Early Warning Indicators

Understand what the early warning indicators are of your project failing. Using Key Performance Indicators (KPIs) is a great way to get early warning that project objectives aren’t being met. Useful KPIs that could be used include spend against

degree of completion, or percentage of future milestones flagged as 'red' or 'amber'. It should be noted that there are other techniques that can address this problem such EVM (Earned Value Management) provided that project planning and management is sufficiently rigorous and resources are available to undertake the analysis required.

2) **Clear Status'**

Make it easier for sponsors to understand the status of the project from their perspective. This means tailoring reports to their business needs (not to the project management, technical delivery or supplier stakeholders). One way to represent this is to give a separate RAG status to each as follows:

- **Business Status** – Is the project still on track to delivery against business / customer objectives and still aligned with the business' strategy?
- **Project Status** – Are milestones still on track against time / cost?
- **Technical Status** – Is the solution still on track to deliver against expected specification or performance?

HM Treasury's Green Book business case model provides an excellent basis for ensuring that all dimensions of project success are in place (i.e. not just the financial criteria).

3) **Incentivise honesty**

If there is one lesson to be applied from the recent banking crisis it's that long-term success should be prioritised over short-term results. One facet of short-term results is that you can hide project failure in the short-term if there isn't an incentive to be honest early. Creating a good relationship between the project and business team, rewarding the performance of the project team rather than the performance of the project and making sure there is an assurance function in place, all incentivise honesty regarding the status of a project.

4) **Value Risks**

Don't use risk management in isolation from decisions around a project's viability. A good rule of thumb is if the expected value of the risks on your risk log is greater than the net present value in your business case it means the project is unlikely to delivery positive value! It should be noted however that in many instances it is hard to attach a monetary value to risks so these shouldn't necessarily be taken at face value.

5) Hard Gates

Finally, define some hard gates where projects have to request the next increment of money and resources to proceed. When producing your overall project plan at the initiation stage, define some harder gates within the delivery stages. These can be placed to coincide with high-risk pinch points in the delivery lifecycle.

Also ensure that there is a well-defined and appropriate project board and / or assurance function who are equipped with objective success criteria to aid their decision-making. By undertaking these gates everyone has to ask themselves “will this project be successful?” at each juncture.

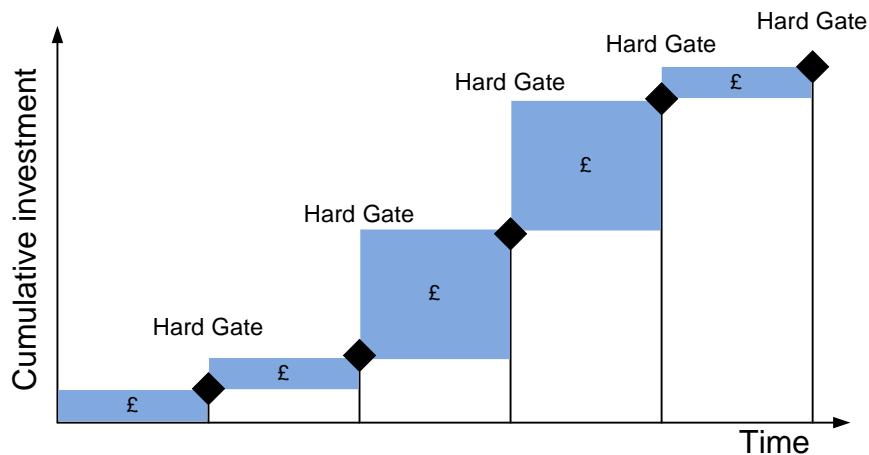


Figure 2 – Controlled project investment against hard gates

Conclusion

However much effort you’ve made getting your project off the ground it’s important to ensure that your business doesn’t suffer from tunnel vision. Requiring iterations of active consent, engendering a culture of honesty and tailoring management information closer to the need of the business may not be the course of least resistance but it will save you money in the long-run.

Human psychology may make us feel that stopping a project before it has reached its natural conclusion is a failure in project management. However, this is not always the case. Call it project failure if you must, but there’s always a good way to fail, and that is to fail early.

About the Author:



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Jeremy Katz is a senior consultant with APM “Project Management Company of the Year” Moorhouse Consulting. Jeremy has several years of PPM and consultancy experience, having operated in the telecoms, energy, healthcare and utilities industries. Previous to Moorhouse, Jeremy worked for Accenture specialising in strategic and IT transformation for European Healthcare Providers. Currently Jeremy is engaged with Moorhouse within BT’s Global Services Division on a global network and customer migration programme. Other key consulting clients include the Nuclear Decommissioning Authority, NHS, Shell, British Gas and various European health authorities. Beyond this, he has a special interest in Knowledge and Information Management, having published in the *Academy of Management Journal* and worked in various organizations defining Knowledge Management and implementing Knowledge Management solutions. For more information, visit www.moorhouseconsulting.com.